

D.P.U. 95-28

Application of Nantucket Electric Company, under the provisions of G.L. c. 164, § 94G(a), for approval by the Department of Public Utilities of the Company's annual performance program relating to fuel procurement and use.

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FOR: NANTUCKET ELECTRIC COMPANY
Petitioner

On February 1, 1995, pursuant to G.L. c. 164, § 94G(a), Nantucket Electric Company ("Nantucket" or "Company") submitted a petition to the Department requesting approval of proposed generating unit performance goals for the period April 1, 1995 through March 31, 1996. Section 94G(a) requires each electric company to file with the Department annual performance programs that provide for the efficient and cost-effective operation of its generating units. Each company's performance program must include proposed unit and system performance goals for availability factor ("AF"), equivalent availability factor ("EAF"), capacity factor ("CF"), forced outage rate ("FOR"), and heat rate ("HR"). The petition was docketed as D.P.U. 95-28.

Pursuant to notice duly issued, the Department conducted a hearing on the Company's petition on March 3, 1995. In support of its petition, the Company sponsored the testimony of Douglas Kenward, director of planning and regulatory affairs. The evidentiary record includes 16 exhibits and three record requests. No petitions for leave to intervene were filed.

Nantucket's generating system is isolated from the mainland and relies on diesel generating units to meet baseload demands; therefore, the methods on which the proposed unit goals were based are unique to the Company. The Company's supply portfolio includes Units 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, and 15 (Exh. NEC-1, at 3). Unit 1 has been in a deactivated status since January 1993, and Unit 2 is retired; therefore, both units were excluded from the Company's supply portfolio (*id.*). Units 8 and 9 also have been retired from the Company's supply portfolio (*id.*). Units 14 and 15 are the two General Motors diesel units, formerly referred to as EMD 1 and EMD 2, whose net maximum capacity ("NMC") is 2500 kilowatt ("KW") (*id.*; Exh. DPU-4). These units were obtained through a lease arrangement with New England Power Company ("NEP") in 1994 (Exh. NEC-1, at 3).

The Company proposed performance goals for Units 3 through 7, and Units 10 through 15 (id.). AF and EAF goals were calculated using projections of planned outage hours ("POH") and forced outage hours ("FOH") (id. at 4). EAF goals for Units 5, 6, and 7 also incorporated equivalent seasonal derated hours ("ESDH") (id.). CF goals were determined by dividing the projected net generation of each unit by the maximum possible generation across the performance period (id. at 5). FOR goals were calculated based on the average of the last three years for all generating units, except Units 3, 7, 14, and 15 (id. at 4). Because recent performance data is not available for Unit 3, the Company proposed the FOR goal for Unit 3 based on the recent performance data of Unit 4, a unit of similar age and generating capacity (id.). The FOR and all other performance goals for Unit 7 were based on the average performance data for the three years of 1991, 1992, and 1994, because, according to the Company, Unit 7's performance results in 1993 were atypical and, therefore, were excluded from the consideration (id.; Exh. DPU-13; RR-DPU-2). The FOR goals for Units 14 and 15 were based on NEP's contract specifications for the units, which guarantee that the units would operate at the AF not less than 90 percent (Exhs. NEC-1, at 4-5; DPU-8). The HR goals for all generating units, except Units 14 and 15, were set at a level corresponding to the best HR achieved across the most recent three years of operation (Exh. NEC-1, at 3). The HR goal for Units 14 and 15 was proposed based on the most recent four-year average HR provided by NEP (id.; Exh. DPU-5).

System AF, EAF, CF, and FOR goals were derived as a weighted average (based on projected net generation) of all units (Tr. at 9). The system HR goal was identified as the average of the last three years (Exh. N-1, at 3).

The proposed performance goals identified by the Company in the attachment to RR-DPU-2, part (a), conform to the requirements of G.L. c. 164, § 94G(a), and Department precedent.¹ The Department finds that the proposed goals are reasonably attainable given reasonable and prudent maintenance and operation of the Company's generating units. Accordingly, the Department orders that the performance goals for the period April 1, 1995 through March 31, 1996, shall be those identified by the Company in the attachment to RR-DPU-2, part (a) (attached). The Department further orders that the Company shall file

¹ According to Department precedent, the individual unit performance goals are typically based on the most recent three-year historical performance data. However, because in 1993 Unit 7 demonstrated atypically inferior performance and extensive repairs have been completed since then, the Department finds that the performance goals based on the 1991, 1992, and 1994 performance results would more realistically reflect the likely performance of Unit 7 in the next performance year.

its next performance program goals by February 1, 1996, and that the next performance period shall run from April 1, 1996 through March 31, 1997.

By Order of the Department,

Kenneth Gordon, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).